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Date: 2/14/2014

GAIN Report Number: IN4006

India

Post: New Delhi

India Approves Raw Sugar Export Subsidy

Report Categories:

Sugar
Trade Policy Monitoring
Policy and Program Announcements

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Report Highlights:

The Government of India (GOI) has approved an export subsidy of 3,333 rupees (roughly $54.00) per metric ton (MT) for raw sugar exports. Based on current exchange rates, this subsidy will provide sugar millers with upwards of $215 million over the next two years. The GOI's objectives are to infuse capital into the cash-strapped sugar industry, make raw Indian sugar more globally competitive, and help struggling millers clear their debts.

General Information:

On February 13 the Indian Cabinet Committee on Economic Affairs (CCEA), led by Minister of Agriculture Sharad Pawar, approved an export subsidy of 3,333 rupee (about $54.00) per MT for raw sugar. Earlier in February the CCEA had decided that over four million metric tons (MMT) of raw sugar would be eligible to receive the subsidy over the next two years. The subsidy is immediately available for Indian shippers and CCEA is expected to review the terms at the end of March. The CCEA will also conduct subsequent reviews every other month thereafter to determine subsidy payout levels based on international sugar prices and currency exchange rates. According to media reports, the GOI is expected to pay out upwards of $215 million over the next two years under the scheme. As of January 30, 2014 Indian sugar prices were down 30 percent from prices in January 2013, a five-year low. See GAIN IN3040 for additional background information.

In October 2013, Post forecast that more than one third of India's sugar exports would consist of raw sugar because of large stocks and demand in Asia and Africa. Sugar prices in India are low due to large domestic stocks (8.8 MMT carried forward) and a global sugar glut (global stocks over 43 MMT). Indian millers are eager to liquidate inventory and to mitigate financial losses by exporting. Although most Indian sugar companies have struggled over the past year, companies with distillery and cogeneration units have been able partially to mitigate their losses through sales of molasses and bagasse.

Subsidy proponents argue that India's raw sugar exports are not globally competitive, as current international market prices are lower than the domestic cost of production and Indian millers are eager to take advantage of the cash infusion.